

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017 / 2018 SESSION

**DAU5028 – AUDITING 2**

(For Diploma Students Only)

13 MARCH 2018  
2.30 p.m.- 5.30 p.m.  
(3 Hours)

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**INSTRUCTIONS TO STUDENT**

1. This question paper consists of 5 pages with 5 questions.
2. Answer ALL questions.
3. Please write your answers in the answer booklet provided.

**QUESTION 1****PART A**

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Malaysian Financial Reporting Standard 118

**Required:**

- a) Determine how revenue shall be measured. (2 Marks)
- b) Identify the **FIVE (5)** conditions to recognize a revenue from the sale of goods. (10 Marks)

**PART B**

The Rockiah Sdn. Bhd. sells fabrics to retailers in Nilai, Negeri Sembilan. The company maintains the following functions for their sales transactions:

- Order Entry
- Credit Authorization
- Shipping
- Billing

**Required:**

For each of the main function above, suggest the business activities that Rockiah Sdn. Bhd. may perform in its sales cycle.

*(Note: You may use the table format as presented below to write your answer)*

Main Function	Activities
1. Order Entry	
2. Credit Authorisation	
3. Shipping	
4. Billing	

(8 Marks)

**[TOTAL 20 MARKS]**

**Continued...**

**QUESTION 2****PART A**

Adelia is responsible to conduct audit for purchasing cycle for Jaja Grocery Sdn. Bhd. The following activities describe the purchasing cycle for the company.

- i. Any authorise company employees such as warehouse supervisor or manufacturing manager may request to purchase goods and services.
- ii. Jaja Grocery Sdn. Bhd. has hired an accounts executive to maintain all the records of the company. The accounts executives ensure that all purchases, cash disbursements and payables are properly accumulated, classified and summarized in the accounts.
- iii. All inventories are traded in credit terms. In order to maintain the credit function, two accounts executive are hired to ensure that all supplier invoices, cash disbursements, and adjustments are recorded in the accounts payable records.
- iv. Jaja Grocery Sdn. Bhd. also hire an account manager to prepare and sign checks to the supplier for the payment of accounts payable. The account manager will maintain adequate supporting documentation to ensure payment is made for the legitimate business purpose.
- v. The company maintain one department to acquire inventories. This department searches the best competitive prices for the company's inventory. As part of its functions, this department ensures that goods and services are acquired in appropriate quantities and at the lowest price consistent with quality standards and delivery schedule.

**Continued...**

- vi. One of the department in the company is assigned to receive goods from suppliers. This department will therefore count, and inspect goods which are acquired by the company.

**Required:**

For each of the above situation, identify the major functions in Jaja Grocery Sdn. Bhd.

(12 Marks)

*Note: You may use the table format as presented below to write your answer)*

Situations	Major Functions
i.	
ii.	
iii.	
iv.	
v.	
vi.	

**PART B**

Identify any **FOUR (4)** internal control activities that can be applied in purchasing cycle.

(8 Marks)

**[TOTAL 20 MARKS]**

**QUESTION 3**

- a) Define property, plant and equipment and give any **THREE (3)** examples of it.  
(5 Marks)
- b) Explain **THREE (3)** inherent risk factors in property, plant and equipment cycle that are classified as operating characteristics which require consideration by the auditor.  
(9 Marks)
- c) Explain how an auditor evaluate his findings in a property, plant and equipment cycle.  
(6 Marks)

**[TOTAL 20 MARKS]**

**Continued...**

**QUESTION 4****PART A**

The emphasis in auditing manufacturing equipment is on the verification of current period acquisition rather than on the balance in the account carried forward from the preceding year. Auditors verify manufacturing equipment differently from current asset accounts.

**Required:**

Briefly explain the **THREE (3)** reasons why auditor verify manufacturing equipment differently from current asset accounts.

(6 Marks)

**PART B**

The internal control for prepaid insurance and insurance expense can be conveniently divided into three categories namely control over acquisition and recording of insurance, control over the insurance register and control over the write-off of insurance expense.

**Required:**

- a) Identify any **THREE (3)** internal controls that can be applied to prepaid insurance and insurance expense account.

(6 Marks)

- b) State any **FOUR (4)** analytical procedures that auditor may perform to examine the prepaid insurance and insurance expense account.

(8 Marks)

**[TOTAL 20 MARKS]**

**Continued...**

**QUESTION 5**

i.	Proper authorization for the issue of new loans.
ii.	Proper documents and records keeping.
iii.	Periodic independent verification.

**Table 1**

Table 1 shows the internal control regarding medium and long term liabilities in the capital acquisition and repayment cycle for Northern Bank.

**Required:**

- a) Suggest **TWO (2)** internal control activities for each of the internal control in Table 1 that Northern Bank can apply.

*Note: You may use the table format as presented below to write your answer)*

<b>Internal Control</b>	<b>Internal Control Activities</b>
i.	1) 2)
ii.	1) 2)
iii.	1) 2)

(12 Marks)

- b) State any **FOUR (4)** examples of accounts related to medium and long term liabilities that can be found in Statement of Financial Position of Northern Bank.

(8 Marks)

**[TOTAL 20 MARKS]**

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